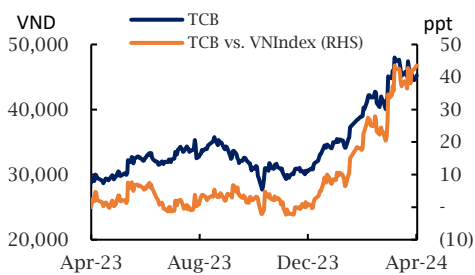


Vietnam: Banking
23 April 2024
Not Rated
TP upside/(downside): N/A
Close 23 Apr 2024
Price VND 46,200
12M Target N/A
Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$6.3 bn
6M avg. daily turnover	US\$16 mn
Outstanding shares	3,523 mn
Free float	65%
FINI ownership	22.5%
Major shareholders	30%
Asset/equity (x)	6.4x
2024E P/E (x) (*)	6.5x
2024E P/B (x) (*)	1.0x
FOL remaining room	0.0%

Source: FiinPro, (*) Bloomberg

TCB's 1Q24 Results	1Q24	% QoQ	% YoY
NII (VND bn)	8,500	12%	30%
Net Fee Inc. (VND bn)	2,171	-13%	12%
Adj. TOI (VND bn)	12,265	15%	49%
Opex (VND bn)	3,249	-10%	3%
Provision (VND bn)	1,211	-26%	127%
PATMI (VND bn)	6,221	40%	38%
NPL (%)	1.13%	-3bps	28bps
LLR (%)	106%	4ppt	-28ppt
CASA (%)	40.5%	60bps	8.4ppt
CAR	14.2%		

Source: Company Data, Yuanta Vietnam
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Techcombank (TCB VN) Back to “King of CASA”

1Q24 PATMI reached VND6.2 tn (+40% QoQ/+38% YoY). The increase was mainly due to higher net interest income, gains from FX trading and trading/investment securities.

Credit increased by +7.1% YTD in 1Q24, driven by corporate loans (+10% YTD), while retail loans increased by only 5% YTD. **Corporate bonds/assets** decreased to 4.7% (-30bps QoQ/-50bps YoY)

1Q24 net interest income was VND8.5 tn (+12% QoQ/+30% YoY), which was attributable to lower COF at 3.4% (-80bps QoQ/-1.9ppt YoY). TCB reported NIM (LTM) of 4.0% (+10bps QoQ/ but -60bps YoY).

Net gain from FX was VND544 bn (+74% QoQ/ versus a loss of -VND229 bn in 1Q23), and **net gain from trading/investment securities was VND1,050 bn** (+275% QoQ/ versus a loss of -VND1 bn in 1Q23).

1Q24 opex was VND3.2tn (-10% QoQ/ but +3% YoY). TCB reported 1Q24 CIR of 26.5% (-7.3ppt YoY).

TCB made VND1.2 tn in provisioning (-26% QoQ/ but +127% YoY) in 1Q24. **NPL ratio** decreased to 1.13% (-3bps QoQ/ but +28bps YoY) as at 1Q24. **LLR ratio** increased to 106% (+4ppt QoQ/ but -28ppt YoY).

CASA ratio increased to 40.5% (+60bps QoQ/+8.4ppt YoY) as at 1Q24.

Stable liquidity: ST funding used for MLT loans was 25.1% (vs. the cap of 30.0%), and LDR was 78.5% (vs. the cap of 85.0%).

TCB's capital level is robust, with CAR of 14.2%.

TCB plans to pay out a cash dividend of VND1,500/share in 2024.

Our view

King of CASA. TCB's CASA ratio of 40.5% was the highest among banks in 1Q24. We think banks' CASA deposits (including TCB) to further improve in 2Q24 given low term deposit rates; However, this trend might shift in the 2H24 as the pressure on the foreign exchange rate could prompt an increase in interest rates.

Asset quality remains strong, with low NPL ratio and high LLR ratio.

Cash dividend is on the table, and this is the first for TCB. We think that TCB should continue to return cash to its shareholders in the future. Please see our dividend policy assessment on TCB as below:

Year	2023	2024E
FCFE	3,018	6,020
Dividend paid	-	5,284
Share buyback	-	-
Total cash paid	-	5,284
FCFE - Cash paid	3,019	736

Performance Ratios	2023
1. Accounting Measure	
ROE	14.7%
Required rate of return	12.9%
ROE - Cost of Equity	1.8%
2. Stock Performance Measure	
Returns on stock	21.4%
Required rate of return	12.9%
Jensen's alpha	8.4%

- FCFE > 0
- ROE > COE (but slightly)
- Stock return > COE
- Tier 1 (14.8%) > 8.0%

We don't cover TCB, so we use the Bloomberg consensus forecasts for this exercise.

Historically, TCB did not dividends despite positive FCFE. ROE was just slightly higher than COE in 2023. TCB generated positive alpha of about 8%, but this was far below the likes of ACB (18%) & HDB (33%).

TCB has the second highest Tier 1 capital ratio in the sector.

Thus, we think TCB should continue to return cash to shareholders.

We have no investment view on TCB. But at a valuation of 1.0x 2024E PB vs. the sector median of 1.1x, TCB looks cheap.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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